

# **VILLAGE OF BIRCH RUN**

**Birch Run, Michigan**

**Financial Statements**

**And**

**Auditor's Report**

**June 30, 2007**

## **VILLAGE COUNCIL**

**MARIANNE NELSON**

**PRESIDENT**

**JEANETTE BUTHKER**

**COUNCILPERSON**

**JOHN CRAMER**

**COUNCILPERSON**

**DAVID STEWART**

**COUNCILPERSON**

**ED MCNAMARA**

**COUNCILPERSON**

## **APPOINTED OFFICERS**

**JODIE GIBSON**

**TREASURER**

**BECKY WALTHER**

**CLERK/ACCOUNTANT**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Birch Run	County Saginaw
Fiscal Year End 6/30/07	Opinion Date 11/6/07	Date Audit Report Submitted to State 11/26/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

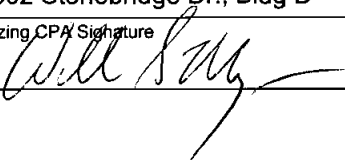
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Taylor & Morgan, CPAs PC		Telephone Number 810-230-8200	
Street Address G-2302 Stonebridge Dr., Bldg D		City Flint	State mi
Zip 48532			
Authorizing CPA Signature 		Printed Name William S. Morgan	License Number 16917

**VILLAGE OF BIRCH RUN  
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Assets-Business-type Activities	19
Statement of Revenues, Expenditures and Changes in Fund Net Assets-Business-type Activities	20
Statement of Cash Flows-Business-type Activities	21
Statement of Fiduciary Assets and Liabilities	22
Notes to the Financial Statements	23-36
Required Supplemental Information:	
Budgetary Comparison Schedule-General Fund	37
Budgetary Comparison Schedule-Major Streets Fund	38
Budgetary Comparison Schedule-Local Streets Fund	39

VILLAGE OF BIRCH RUN  
TABLE OF CONTENTS

Other Supplemental Information:

Individual Fund Financial Statements and Schedules

Budgetary Comparison Schedule Detail-General Fund 40-43

Budgetary Comparison Schedule Detail-Major Streets Fund 44

Budgetary Comparison Schedule Detail-Local Streets Fund 45

Component Unit

Downtown Development Authority Fund

Balance Sheet/Statement of Net Assets 46

Statement of Revenues, Expenditures and Changes in  
Fund Balance/Statement of Activities 47

Internal Control and Compliance

Report on compliance and on internal control over financial  
reporting based on an audit of financial statements  
performed in accordance with Government Auditing  
Standards 48-49



---

Certified Public Accountants

## **Independent Auditor's Report**

November 6, 2007

Village Council  
Village of Birch Run  
Birch Run, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Birch Run as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

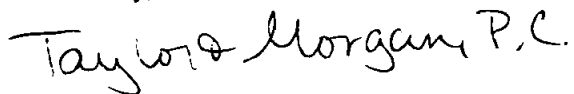
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Birch Run as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2007, on our consideration of Village of Birch Run's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Birch Run's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Taylor & Morgan P.C.".

Taylor & Morgan, P.C.  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the *Village of Birch Run, Michigan*, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here.

### Financial Highlights

- The total assets of the Village exceeded its liabilities at the close of the 2006-2007 fiscal year by \$7,384,326 (*total net assets*). Of this amount, \$3,357,234 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$330,243 during the 2006-2007 fiscal year.
- As of the close of the 2006-2007 fiscal year, the Village's governmental funds reported combined ending fund balances of \$987,519, an increase of \$25,656 in comparison with the prior year. Approximately 96 percent of this total amount, or \$955,800, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the 2006-2007 fiscal year, unreserved fund balance for the Village General Fund was \$559,678. This amount represents approximately 71 percent of total General Fund expenditures.
- The Village's total debt decreased by \$105,000 during the 2006-2007 fiscal year because of principal payments throughout the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include legislative, general government, elections, clerk and treasurer, public safety, inspections, planning and zoning, public works, and highways and streets. The business-type activities of the Village include sewer and water operations.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains three individual governmental funds, which are the General, Major Streets, and Local Streets. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets and Local Streets funds, each of which are considered to be major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Business-Type Activities funds.** The Village maintains one type of business-type activities fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses two individual enterprise funds, which are Sewer and Water, to account for its sewer and water operations.

Business-type activities funds provide the same type of information as the government-wide financial statements, only in more detail. The business-type activities fund financial statements provide separate information for the sewer and water operations, both of which are considered major funds of the Village.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Birch Run, total net assets exceeded liabilities by \$7,384,326 at the close of the 2006-2007 fiscal year.

One of the largest portions of the Village's total net assets (approximately 37 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Village of Birch Run's Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 1,041,483	\$ 1,051,232	\$ 3,704,293	\$ 3,478,252	\$ 4,745,776	\$ 4,529,484
Capital assets	228,980	238,739	3,009,144	3,041,412	3,238,124	3,280,151
Total assets	1,270,463	1,289,971	6,713,437	6,519,664	7,983,900	7,809,635
Long-term liabilities	-	-	405,000	505,000	405,000	505,000
Other liabilities	50,094	83,460	144,480	167,092	194,574	250,552
Total liabilities	50,094	83,460	549,480	672,092	599,574	755,552
Net assets:						
Invested in capital assets, net of related debt	228,980	238,739	2,504,144	2,431,412	2,733,124	2,670,151
Restricted	-	-	1,293,968	1,231,654	1,293,968	1,231,654
Unrestricted	991,389	967,772	2,365,845	2,184,506	3,357,234	3,152,278
Total net assets	\$1,220,369	\$1,206,511	\$6,163,957	\$5,847,572	\$7,384,326	\$7,054,083

An additional portion of the Village's total net assets (approximately 17.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance, which is *unrestricted net assets* (approximately 45.5 percent of the Village's total net assets), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Village's restricted net assets increased by \$62,314 during the current fiscal year. This increase mainly resulted from payments of debt service expenses and an increase in the restricted assets held on behalf of others.

The Village's net assets increased by \$330,243 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues were exceeded by ongoing expenses.

### Village of Birch Run's Changes in Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 501,737	\$ 497,185	\$ 831,063	\$ 972,364	\$ 1,332,800	\$ 1,469,549
Operating grants and contributions	137,671	130,915	49,507	31,185	187,178	162,100
General revenues:						
Property taxes	175,578	158,703	-	-	175,578	158,703
Grants and contributions not restricted to specific programs	113,909	116,689	-	-	113,909	116,689
Unrestricted Investment						
Earnings	48,777	36,351	166,980	120,121	215,757	156,472
Transfers	8,300	8,300	(8,300)	(8,300)	-	-
Other	8,399	4,415	10,155	6,404	18,554	10,819
Total revenues	<u>994,371</u>	<u>952,558</u>	<u>1,049,405</u>	<u>1,121,774</u>	<u>2,043,776</u>	<u>2,074,332</u>
Expenses:						
General government	156,524	151,439	-	-	156,524	151,439
Public safety	474,811	470,477	-	-	474,811	470,477
Public works	349,178	270,477	-	-	349,178	270,477
Sewer	-	-	365,394	348,829	365,394	348,829
Water	-	-	367,626	499,489	367,626	499,489
Total expenses	<u>980,513</u>	<u>892,393</u>	<u>733,020</u>	<u>848,318</u>	<u>1,713,533</u>	<u>1,740,711</u>
Increase (decrease) in net assets	13,858	60,165	316,385	273,456	330,243	333,621
Net assets, beginning	1,206,511	1,146,346	5,847,572	5,574,116	7,054,083	6,720,462
Total net assets	<u>\$ 1,220,369</u>	<u>\$ 1,206,511</u>	<u>\$ 6,163,957</u>	<u>\$ 5,847,572</u>	<u>\$ 7,384,326</u>	<u>\$ 7,054,083</u>

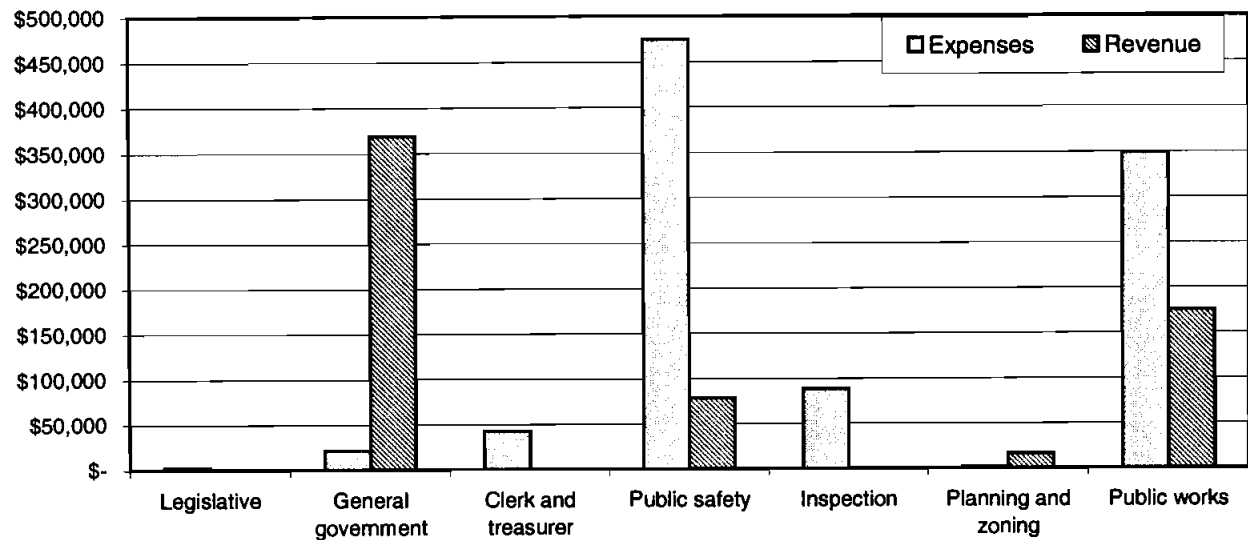
**Governmental Activities.** Governmental activities increased the Village's net assets by \$13,858, complementing the growth in the business-type activities and resulting in an overall increase in the net assets of the Village. Key elements of the change versus the prior year are as follows:

- Property taxes increased by \$16,875 (10.6 percent) during the year. Most of this increase is the product of increased taxable values along with commercial and residential growth.
- Unrestricted investment earnings increased by \$12,426 (34.2 percent) during the year.
- Increases in Village revenues, primarily due to revenue increases in fines and forfeitures and an increase in reimbursements from the DDA, were more than offset by increases in the Village expenses, primarily due to expense increases in the Public Safety, Department of Public Works, and Highways and Streets.

---

## Expenses and Program Revenues - Governmental Activities

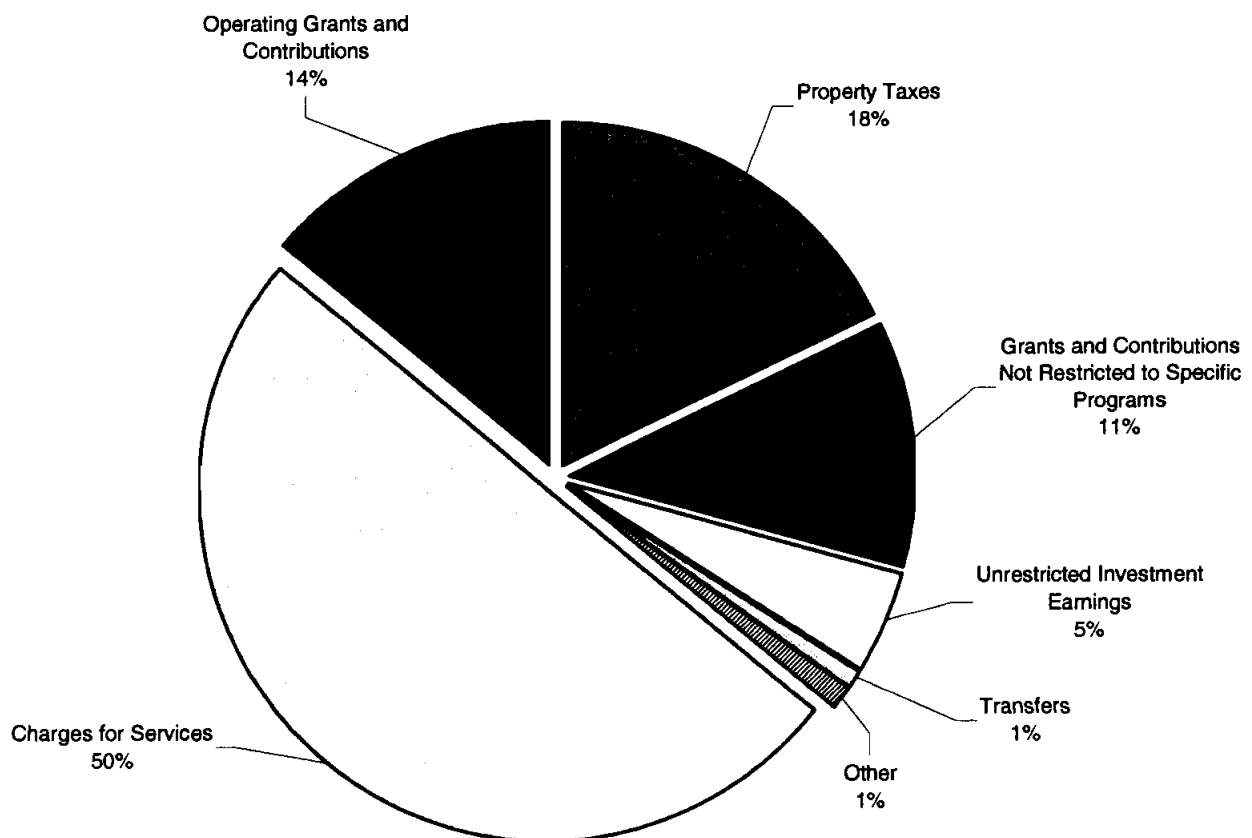
---



---

## Revenues by Source - Governmental Activities

---



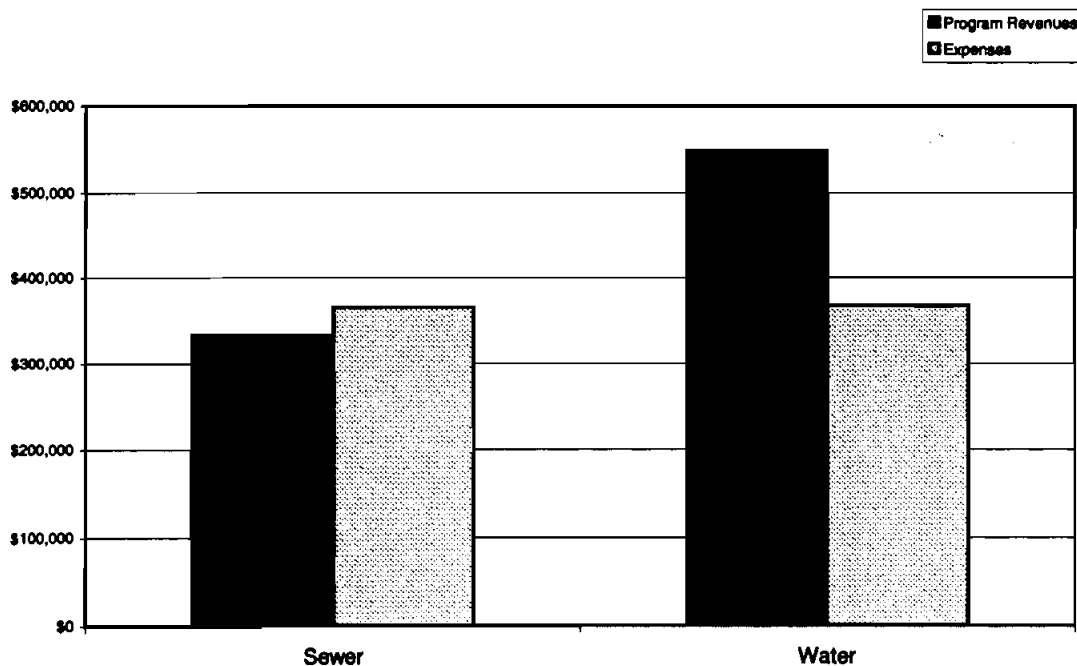
**Business-type Activities.** Business-type activities increased the Village's total net assets by \$316,385, complementing the increase in the governmental activities and resulting in an overall increase in the net assets of the Village. Key elements of the change versus the prior year are as follows:

- Decreases in revenue, primarily due to decreases in the charges for water service to Village customers and a revenue decrease in service payments from Birch Run Township, was more than offset by decreases in expense, primarily due to the decrease in water rates from the source of the Village's potable water source, a decrease in labor spent working on the water system with the elimination of Birch Run Township and Birchwood Farms, a decrease in quantity of water meters purchased, and a decrease in legal fees related to developing a new water contract during the prior fiscal year.
- Unrestricted investment earnings increased by \$46,859 (approximately 39 percent) during the year.

---

### Expenses and Program Revenues - Business-type Activities

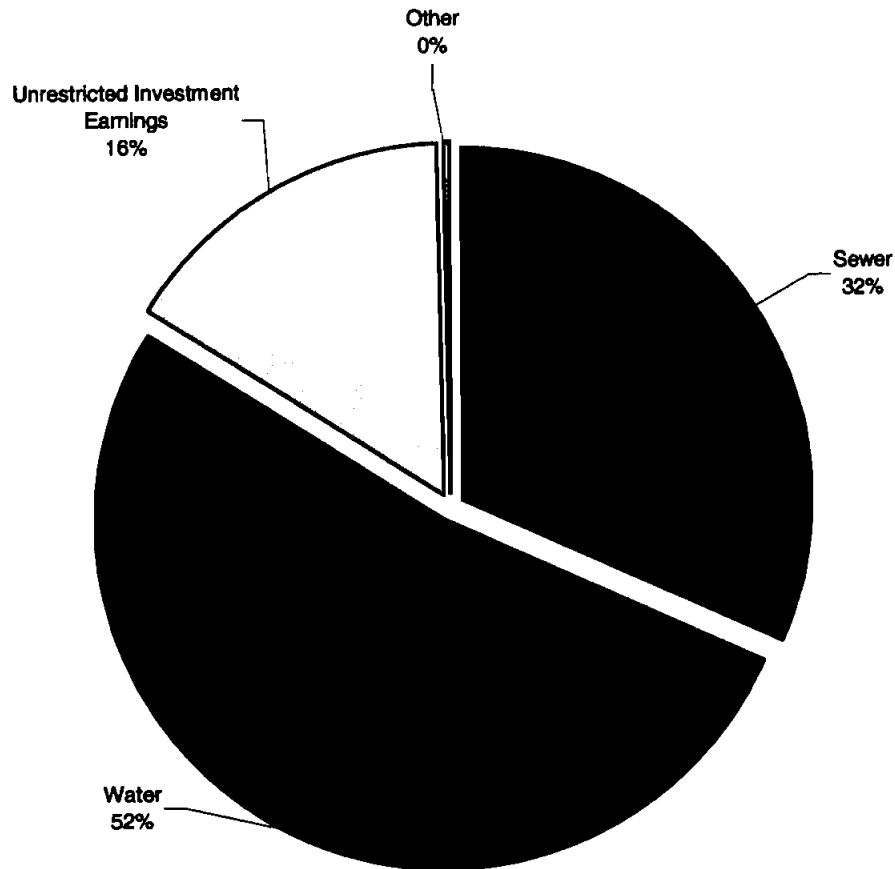
---



---

## Revenues by Source - Business-type Activities

---



### Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2006-2007 fiscal year, the Village's governmental funds reported combined ending fund balances of \$987,519, an increase of \$25,656 in comparison with the prior year. Approximately 96.7 percent of this total amount (which equals \$955,800) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The General Fund is the chief operating fund of the Village. At the end of the 2006-2007 fiscal year, unreserved fund balance of the General Fund was \$559,678, while the total General Fund balance reached \$591,397. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. As calculated at the end of the 2006-2007 fiscal year, unreserved General Fund balance represents approximately 71.6 percent of total General Fund expenditures, while total General Fund balance represents approximately 75.7 percent of total General Fund expenditures.

The fund balance of the Village's General Fund increased by \$52,556 during the 2006-2007 fiscal year. This is primarily attributable to increases in tax revenue, increases in interest revenue, and increases in fines and forfeitures compared to the prior year while maintaining the same relative total expense level as in the prior fiscal year.

The Major Streets Fund has a total fund balance of \$255,451, which decreased by \$19,319 during the 2006-2007 fiscal year. This decrease was the result of an increase in the expenses for major street seal coating and major street repairs.

The Local Streets Fund has a total fund balance of \$140,671, which decreased by \$7,581 during the 2006-2007 fiscal year. This decrease is attributable to an increase in the expenses for local street seal coating and local street repairs.

***Business-Type Activities funds.*** The Village's business-type activities funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water Funds at the end of the year amounted to \$1,305,829 and \$1,060,016, respectively. The Sewer Fund had an increase in net assets for the year of \$63,057 and the Water Fund had an increase in net assets for the year of \$253,328. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor and the adjustments were made as a part of the Village's budget procedures to address changes in activity during the year.

Budget to actual comparisons for the Village's General Fund were generally favorable, although four account categories were identified in "Note 2" as being over budget. In the Clerk/Treasurer account category, a write-off to bad debts expense was not comprehended at the time of the budget amendment. In the Building Department account category, the budget amendment to expense was too restrictive and did not allow enough funds for inspections at the end of the fiscal year. In the Planning Commission account category, a prior month's adjustment to Planning Commission payroll was not comprehended at the time of the budget amendment. In the Storm Sewer Repair account category, an additional part for the Church Street project was not comprehended at the time of the budget amendment.

## Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$3,238,124 (net of depreciation). This investment in capital assets includes land, buildings, vehicles, system improvements, machinery and equipment. The total decrease in the Village's investment in capital assets for the current fiscal year was approximately 1.3 percent. This figure consists of approximately a 4.1 percent decrease for governmental activities and approximately a 1.1 percent decrease for business-type activities.

Major capital asset events during the 2006-2007 fiscal year included the following:

- Purchase of a new Ford Crown Victoria Police Car
- Purchase/Installation of new roofing on the Village Offices
- Purchase of a new HP computer Server
- Painting/Coating of both Village Water Towers
- Purchase John Deere 3020 tractor from Birch Run Township
- Purchase new pump for Lift Station #6

### Village of Birch Run's Capital Assets (net of depreciation)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 38,000	\$ 38,000	\$ 36,392	\$ 36,392	\$ 74,392	\$ 74,392
Land improvements	114,672	133,015	25,756	31,213	140,428	164,228
Buildings	15,213	12,596	105,248	102,169	120,461	114,765
Sewer System	-	-	2,261,857	2,332,896	2,261,857	2,332,896
Trucks & Heavy Equip	7,672	13,751	10,354	13,876	18,026	27,627
Police Equip	49,329	33,269	-	-	49,329	33,269
Water Mains	-	-	427,602	361,991	427,602	361,991
Mach & Equip	1,986	3,430	141,935	162,875	143,921	166,305
Office Equip & Furn	2,108	4,678	-	-	2,108	4,678
<b>Total net assets</b>	<b>\$ 228,980</b>	<b>\$ 238,739</b>	<b>\$ 3,009,144</b>	<b>\$ 3,041,412</b>	<b>\$ 3,238,124</b>	<b>\$ 3,280,151</b>

**Long-term debt.** At the end of the 2006-2007 fiscal year, the Village had total debt outstanding of \$505,000, which represents contracts payable to Saginaw County D.P.W.

**Village of Birch Run's Outstanding Debt**  
**Contracts Payable**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Contracts payable	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>505,000</u>	\$ <u>610,000</u>	\$ <u>505,000</u>	\$ <u>610,000</u>

The Village's total debt decreased by \$105,000 (approximately 17.2 percent) during the 2006-2007 fiscal year, with the principal payments being the primary change during the year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Village is \$7,727,940, which is significantly in excess of the Village's outstanding general obligation debt.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2007-2008 fiscal year:

- The September 2006 unemployment rate for the Saginaw County area (the Village is in Saginaw County) was 6.9 percent, which is the same as the September 2005 unemployment rate of 6.9 percent a year ago. This was lower than the State of Michigan's September 2006 unemployment rate of 7.1 percent, but higher than the United States September 2006 unemployment rate of 4.6 percent.
- Modifications in the Village's Water and Sewer rates were adopted to incorporate equipment replacement and capital improvement programs planned over the next ten years.
- The Village is comprised principally of residential areas. There is a stable business base that includes some light industrial operation. Growth has been limited due to the current economic conditions of the State.

**Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Clerk's office, 12060 Heath Street, P.O. Box 371, Birch Run, Michigan 48415.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**VILLAGE OF BIRCH RUN**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
<b>Assets</b>				
Cash, cash equivalents and investments	\$ 975,399	\$ 2,228,091	\$ 3,203,490	\$ 864,156
Receivables (net)	30,340	182,234	212,574	-
Due from other governmental units	35,744	-	35,744	-
Restricted cash and cash equivalents	-	1,293,968	1,293,968	-
Construction in progress	-	-	-	119,695
Nondepreciable capital assets	38,000	36,392	74,392	89,043
Depreciable capital assets, net	190,980	2,972,752	3,163,732	393,537
<b>Total assets</b>	<b>1,270,463</b>	<b>6,713,437</b>	<b>7,983,900</b>	<b>1,466,431</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	50,094	44,480	94,574	52,024
Noncurrent liabilities:				
Due within one year	-	100,000	100,000	85,000
Due in more than one year	-	405,000	405,000	1,720,000
<b>Total liabilities</b>	<b>50,094</b>	<b>549,480</b>	<b>599,574</b>	<b>1,857,024</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	228,980	2,504,144	2,733,124	(1,210,459)
Restricted for:				
Acquisition/construction/replacement of capital assets	-	1,293,968	1,293,968	-
Unrestricted	991,389	2,365,845	3,357,234	819,866
<b>Total net assets</b>	<b>\$ 1,220,369</b>	<b>\$ 6,163,957</b>	<b>\$ 7,384,326</b>	<b>\$ (390,593)</b>

**VILLAGE OF BIRCH RUN**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Component Unit
<b>Primary government</b>						
Governmental activities:						
Legislative	\$ 2,322	\$ -	\$ -	\$ (2,322)	\$ -	\$ -
General government	21,425	368,809	-	347,384	-	-
Clerk and treasurer	42,391	-	-	(42,391)	-	-
Public safety	474,811	68,869	9,876	(396,066)	-	-
Inspection and zoning	88,676	-	-	(88,676)	-	-
Planning and zoning	1,710	16,449	-	14,739	-	-
Public works	349,178	47,610	127,795	(173,773)	-	-
<b>Total governmental activities</b>	<b>980,513</b>	<b>501,737</b>	<b>137,671</b>	<b>(341,105)</b>	<b>-</b>	<b>-</b>
Business-type activities:						
Sewer	365,394	297,585	35,147	-	(32,662)	-
Water	367,626	533,478	14,360	-	180,212	-
<b>Total business-type activities</b>	<b>733,020</b>	<b>831,063</b>	<b>49,507</b>	<b>-</b>	<b>147,550</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 1,713,533</b>	<b>\$ 1,332,800</b>	<b>\$ 187,178</b>	<b>(341,105)</b>	<b>147,550</b>	<b>-</b>
Component unit:						
Downtown development authority	\$ 635,812	\$ -	\$ -			(635,812)
General revenues						
Property taxes				175,578	-	738,608
Grants and contributions not restricted to specific programs				113,909	-	-
Unrestricted investment earnings				48,777	166,980	49,277
Other revenues				8,399	10,155	566
Transfers				8,300	(8,300)	-
<b>Total general revenues</b>				<b>354,963</b>	<b>168,835</b>	<b>788,451</b>
<b>Change in net assets</b>				<b>13,858</b>	<b>316,385</b>	<b>152,639</b>
Net assets (deficit), beginning of year				1,206,511	5,847,572	(543,232)
<b>Net assets (deficit), end of year</b>				<b>\$ 1,220,369</b>	<b>\$ 6,163,957</b>	<b>\$ (390,593)</b>

The notes to the financial statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

**VILLAGE OF BIRCH RUN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash, cash equivalents and investments	\$ 597,042	\$ 241,139	\$ 137,218	\$ 975,399
Due from State	35,744	-	-	35,744
Accounts receivable	7,116	15,335	4,019	26,470
Taxes receivable-delinquent	3,870	-	-	3,870
<b>Total assets</b>	<u>\$ 643,772</u>	<u>\$ 256,474</u>	<u>\$ 141,237</u>	<u>\$ 1,041,483</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 7,295	\$ -	\$ -	\$ 7,295
Payroll withholdings	4,486	-	-	4,486
Accrued payroll	12,622	1,023	566	14,211
Deferred revenue	3,870	-	-	3,870
Customer deposits	24,102	-	-	24,102
<b>Total liabilities</b>	52,375	1,023	566	53,964
<b>Fund balances</b>				
Reserved for drug forfeiture funds	13,445	-	-	13,445
Reserved for D.A.R.E.	352	-	-	352
Reserved for salvage inspections	1,882	-	-	1,882
Reserved for code enforcement	16,040	-	-	16,040
Unreserved:				
Reported in:				
General Fund	559,678	-	-	559,678
Special Revenue Funds	-	255,451	140,671	396,122
<b>Total fund balances</b>	<u>591,397</u>	<u>255,451</u>	<u>140,671</u>	<u>987,519</u>
<b>Total liabilities and fund balances</b>	<u>\$ 643,772</u>	<u>\$ 256,474</u>	<u>\$ 141,237</u>	<u>\$ 1,041,483</u>

**VILLAGE OF BIRCH RUN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007**

Total Governmental Fund Balances		\$ 987,519
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of net assets	\$ 1,068,278	
Accumulated depreciation	<u>(839,298)</u>	228,980
Deferred revenue for personal property tax receivables are reported as liabilities in the governmental funds and as revenue or other financing sources in the statement of activities.		
		<u>3,870</u>
Total net assets - governmental activities		\$ <u>1,220,369</u>

**VILLAGE OF BIRCH RUN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 177,617	\$ -	\$ -	\$ 177,617
Licenses and permits	75,898	-	-	75,898
State revenue	113,909	98,818	24,477	237,204
Fines and forfeitures	83,245	-	-	83,245
Charges for services	135,881	-	-	135,881
Reimbursements	200,600	14,246	6,243	221,089
Other revenue	38,198	12,793	6,185	57,176
<b>Total revenues</b>	<b>825,348</b>	<b>125,857</b>	<b>36,905</b>	<b>988,110</b>
<b>Expenditures</b>				
Governing body	2,154	-	-	2,154
Village clerk/treasurer	42,391	-	-	42,391
Public safety	490,871	-	-	490,871
Zoning department	9,881	-	-	9,881
Building inspector	78,795	-	-	78,795
Planning commission	1,710	-	-	1,710
Department of public works	93,883	-	-	93,883
Highways and streets	26,959	121,808	67,854	216,621
Refuse	34,280	-	-	34,280
Board of review	168	-	-	168
<b>Total expenditures</b>	<b>781,092</b>	<b>121,808</b>	<b>67,854</b>	<b>970,754</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>44,256</b>	<b>4,049</b>	<b>(30,949)</b>	<b>17,356</b>
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	8,300	(23,368)	23,368	8,300
<b>Total other financing sources (uses)</b>	<b>8,300</b>	<b>(23,368)</b>	<b>23,368</b>	<b>8,300</b>
<b>Net change in fund balances</b>	<b>52,556</b>	<b>(19,319)</b>	<b>(7,581)</b>	<b>25,656</b>
Fund balance - beginning of year	538,841	274,770	148,252	961,863
<b>Fund balance - end of year</b>	<b>\$ 591,397</b>	<b>\$ 255,451</b>	<b>\$ 140,671</b>	<b>\$ 987,519</b>

**VILLAGE OF BIRCH RUN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Total net change in fund balances - governmental funds	\$	25,656
--	----	--------

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. This is the amount by which  
depreciation exceeded capital outlay in the current period.

Capital Outlay	\$	36,520	
Depreciation Expense		<u>(46,279)</u>	(9,759)

Revenues in the statement of activities that do not provide  
current financial resources are not reported as revenues in  
the governmental funds. This amount represents the change  
in delinquent personal property taxes receivable.

Change in net assets of governmental activities	\$	<u><u>13,858</u></u>
---	----	----------------------

**VILLAGE OF BIRCH RUN  
STATEMENT OF NET ASSETS  
BUSINESS-TYPE ACTIVITIES  
JUNE 30, 2007**

	<u>SEWER FUND</u>	<u>WATER FUND</u>	<u>TOTAL</u>
<b>Current assets</b>			
Cash, cash equivalents and investments	\$ 1,280,231	\$ 947,860	\$ 2,228,091
Accounts receivable	43,032	139,202	182,234
<b>Restricted current assets</b>			
Cash and cash equivalents			
Replacement	-	538,678	538,678
Sewer connection fees	<u>755,290</u>	<u>-</u>	<u>755,290</u>
<b>Total current assets</b>	2,078,553	1,625,740	3,704,293
<b>Noncurrent assets</b>			
Property and equipment - net	<u>2,542,073</u>	<u>467,071</u>	<u>3,009,144</u>
<b>Total assets</b>	<u>4,620,626</u>	<u>2,092,811</u>	<u>6,713,437</u>
<b>Current liabilities (payable from current assets)</b>			
Accounts payable	8,554	25,314	33,868
Accrued expenses	1,547	1,732	3,279
Accrued interest	7,333	-	7,333
Current maturities of contracts payable-Saginaw County D.P.W.	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>Total current liabilities (payable from current assets)</b>	117,434	27,046	144,480
<b>Current liabilities (payable from restricted assets)</b>			
Due to other governmental units	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total current liabilities</b>	117,434	27,046	144,480
<b>Long-term liabilities (exclusive of current maturities)</b>			
Contracts payable-Saginaw County D.P.W.	<u>405,000</u>	<u>-</u>	<u>405,000</u>
<b>Total liabilities</b>	<u>522,434</u>	<u>27,046</u>	<u>549,480</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,037,073	467,071	2,504,144
Restricted for acquisition/construction of capital assets	755,290	538,678	1,293,968
Unrestricted net assets	<u>1,305,829</u>	<u>1,060,016</u>	<u>2,365,845</u>
<b>Total net assets</b>	\$ <u>4,098,192</u>	\$ <u>2,065,765</u>	\$ <u>6,163,957</u>

**VILLAGE OF BIRCH RUN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**BUSINESS-TYPE ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SEWER FUND</u>	<u>WATER FUND</u>	<u>TOTAL</u>
<b>Operating revenues</b>			
Charges for services	\$ 201,321	\$ 529,267	\$ 730,588
Miscellaneous	<u>1,068</u>	<u>9,087</u>	<u>10,155</u>
<b>Total operating revenues</b>	202,389	538,354	740,743
<b>Operating expenses</b>			
Salaries and wages	80,015	78,938	158,953
Payroll taxes and fringe benefits	16,772	17,878	34,650
Sewage treatment	63,769	-	63,769
Operating supplies	5,364	9,918	15,282
Utilities	9,586	5,229	14,815
Dues and subscriptions	308	143	451
Professional fees	26,269	17,277	43,546
Office expenses	1,678	1,597	3,275
Equipment rental	16,871	6,101	22,972
Repairs and maintenance	6,888	1,607	8,495
Travel and training	302	335	637
Depreciation	110,922	21,930	132,852
Water purchases	-	182,509	182,509
Insurance	6,913	5,923	12,836
Capital outlay	553	3,053	3,606
Bad debt expense	<u>-</u>	<u>15,188</u>	<u>15,188</u>
<b>Total operating expenses</b>	<u>346,210</u>	<u>367,626</u>	<u>713,836</u>
<b>Operating income/(loss)</b>	(143,821)	170,728	26,907
<b>Non-operating revenues/(expenses)</b>			
Connection/rental fees	7,228	4,211	11,439
Interest income	98,751	68,229	166,980
Reimbursements	89,036	14,360	103,396
Bond interest and fiscal charges	(19,184)	-	(19,184)
Contribution from Township for debt service	<u>35,147</u>	<u>-</u>	<u>35,147</u>
<b>Total non-operating revenues/(expenses)</b>	<u>210,978</u>	<u>86,800</u>	<u>297,778</u>
<b>Income/(loss) before transfers</b>	67,157	257,528	324,685
<b>Transfers</b>			
Transfers (out)	<u>(4,100)</u>	<u>(4,200)</u>	<u>(8,300)</u>
<b>Net income/(loss)</b>	63,057	253,328	316,385
Net assets - beginning of year	<u>4,035,135</u>	<u>1,812,437</u>	<u>5,847,572</u>
<b>Net assets - end of year</b>	\$ <u><u>4,098,192</u></u>	\$ <u><u>2,065,765</u></u>	\$ <u><u>6,163,957</u></u>

**VILLAGE OF BIRCH RUN  
STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>SEWER FUND</b>	<b>WATER FUND</b>	<b>TOTAL</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 201,981	\$ 548,300	\$ 750,281
Payments to employees	(80,510)	(79,242)	(159,752)
Payments to suppliers	(155,176)	(283,668)	(438,844)
Other operating revenue	1,068	9,087	10,155
<b>Net cash provided (used) by operating activities</b>	<u>(32,637)</u>	<u>194,477</u>	<u>161,840</u>
<b>Cash flows from non-capital financing activities</b>			
Transfers (out)	<u>(4,100)</u>	<u>(4,200)</u>	<u>(8,300)</u>
<b>Cash flows from capital and related financing activities</b>			
Connection fees	7,228	4,211	11,439
Acquisition of capital assets	(15,744)	(84,839)	(100,583)
Principal payments on long-term debt	(105,000)	-	(105,000)
Bond interest and fiscal charges	(19,184)	-	(19,184)
Reimbursements	89,036	14,360	103,396
Contribution from Township for debt service	35,147	-	35,147
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(8,517)</u>	<u>(66,268)</u>	<u>(74,785)</u>
<b>Cash flows from investing activities</b>			
Interest earned on investments	100,904	68,307	169,211
Proceeds from maturities of investments	-	-	-
Purchases of investments	-	-	-
<b>Net cash provided (used) by investing activities</b>	<u>100,904</u>	<u>68,307</u>	<u>169,211</u>
<b>Net Increase (decrease) In cash and cash equivalents</b>	55,650	192,318	247,966
<b>Cash and cash equivalents - beginning of year</b>	<u>1,979,871</u>	<u>1,294,222</u>	<u>3,274,093</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 2,035,521</u>	<u>\$ 1,486,538</u>	<u>\$ 3,522,059</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income	\$ (143,821)	\$ 170,728	\$ 26,907
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	110,922	21,930	132,852
Decrease (increase) in assets:			
Accounts receivable	660	(2,006)	(1,346)
Due from other governmental units	-	21,039	21,039
Increase (decrease) in liabilities:			
Accounts payable	97	(16,910)	(16,813)
Accrued expenses	(495)	(304)	(799)
Due to other governmental units	-	-	-
<b>Net cash provided by operating activities</b>	<u>\$ (32,637)</u>	<u>\$ 194,477</u>	<u>\$ 161,840</u>

**VILLAGE OF BIRCH RUN  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2007**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>1,246</u>
<b>Liabilities</b>	
Due to D.A.R.E.	\$ <u>1,246</u>

## **NOTES TO FINANCIAL STATEMENTS**

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Birch Run (the "Village") was organized in 1955 as a home rule village and covers an area of approximately one square mile. The Village operates under an elected Village Council of five members and provides services to approximately 1,660 residents in many areas including law enforcement, community enrichment and development, and human services.

The accounting policies of the Village conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

**Reporting entity**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village (the primary government) and the Downtown Development Authority (the component unit). The Downtown Development Authority (DDA) is included in the Village's reporting entity because of the significance of its operational and financial relationship with the Village.

Component Unit - In conformity with accounting principles generally accepted in the United States of America, the financial statements of the DDA have been included in the financial reporting entity as a discretely presented component unit. The DDA is reported in a separate column to emphasize that it is legally separate from the Village. The members of the DDA are appointed by the Village President and the DDA is fiscally dependant on the Village as the DDA is prohibited from levying taxes and issuing bonded debt without the approval of the Village Council.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise funds are reported in separate columns in the fund financial statements.

**VILLAGE OF BIRCH RUN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Streets Fund accounts for the grant revenues and the related operation and maintenance of the major street system.
- The Local Streets Fund accounts for the grant revenues and the related operation and maintenance of the local street system.

The Village reports the following major proprietary funds:

- The Sewer Fund accounts for the activities of the Village's sewage disposal and treatment system.
- The Water Fund accounts for the activities of the Village's water distribution and treatment system.

Additionally, the Village reports the following:

Agency Funds – The Agency Funds are used to account for assets held for other governments in an agency capacity, including tax collections. They are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**VILLAGE OF BIRCH RUN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Property taxes are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the sewer and water enterprise funds relates to charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap in fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Property tax revenue**

Village properties are assessed as of December 31 and the related property taxes become a lien in May of the following year.

Real property taxes not collected as of September 30 are turned over to Saginaw County for collection. The County remits the collections to the Village until the delinquent tax settlement date. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

The 2006 taxable valuation of the Village was 32,839,978, on which the ad valorem tax levy consisted of 4.57 mills for operating purposes.

**Assets, liabilities and net assets or equity**

Cash and cash equivalents – For purposes of the statement of cash flows, the Village has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. As of June 30, 2007, the Village did not have any deposits qualifying as investments.

Receivables - All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives.

Land improvements	50 years
Buildings and building improvements	50 years
System infrastructure	5 to 30 years
Vehicles	3 to 10 years
Machinery and equipment	5 to 20 years

Long-term obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**VILLAGE OF BIRCH RUN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund transactions - During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Comparative data**

Comparative data is not included in the Village's financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary information**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The office staff submits to the Village Council, at their April meeting, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution at the May Village Council meeting.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
5. Budgets for the General Fund and Major and Local Streets Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budget for the Downtown Development Authority Component Unit was adopted on a cash flow basis of accounting.
6. Budgeted amounts are originally adopted or as amended by the Village Council.

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Excess of expenditures over appropriations in budgeted funds**

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the Village's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis.

During the year, the Village incurred expenditures in the following funds which were in excess of the amounts appropriated in various activities as follows:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund-Clerk/Treasurer	\$ 41,592	\$ 42,391	\$ (799)
General Fund-Building Department	\$ 77,797	\$ 78,795	\$ (998)
General Fund-Planning Commission	\$ 1,690	\$ 1,710	\$ (20)
General Fund-Storm Sewer Repair	\$ 4,651	\$ 4,672	\$ (21)

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Village's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, defined as 5% or more of the Village's total investments. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Village's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2007, the Village had \$4,608,508 of its deposit balances uninsured and uncollateralized.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the Village through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Village is not authorized to invest in investments that would be subject to this type of risk.

**VILLAGE OF BIRCH RUN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

The Village maintains a cash pool that is available for use by essentially all Village funds. The portion of this pool attributable to each separate fund is shown on the statement of net assets as "Cash and cash equivalents". In addition, various interest bearing savings and checking accounts, certificates of deposits and investments are separately held by several of the Village's funds.

The Village is authorized by the State to invest surplus funds in the following:

- Bonds, securities, repurchase agreements and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of the United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered by the Investment Company Act of 1940 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The investment policy adopted by the Board authorized all of the investments allowable under Michigan law and is in accordance with statutory authority.

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 4 - CAPITAL ASSETS**

Capital assets for the year ended June 30, 2007 were as follows:

**Primary Government**

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental activities</b>				
Capital assets not being depreciated-Land	\$ 38,000	\$ -	\$ -	\$ 38,000
Capital assets being depreciated:				
Land improvements	230,379	-	-	230,379
Buildings	293,174	3,014	-	296,188
Trucks and heavy equipment	167,801	-	-	167,801
Police equipment	180,801	31,955	-	212,756
Machinery and equipment	90,595	1,551	-	92,146
Office equipment, furniture and fixtures	31,008	-	-	31,008
Total capital assets being depreciated	<u>993,758</u>	<u>36,520</u>	<u>-</u>	<u>1,030,278</u>
Less accumulated depreciation:				
Land improvements	(97,364)	(18,343)	-	(115,707)
Buildings	(280,578)	(397)	-	(280,975)
Trucks and heavy equipment	(154,050)	(6,079)	-	(160,129)
Police equipment	(147,532)	(15,895)	-	(163,427)
Machinery and equipment	(87,165)	(2,995)	-	(90,160)
Office equipment, furniture and fixtures	(26,330)	(2,570)	-	(28,900)
Total accumulated depreciation	<u>(793,019)</u>	<u>(46,279)</u>	<u>-</u>	<u>(839,298)</u>
Total capital assets being depreciated, net	<u>200,739</u>	<u>(9,759)</u>	<u>-</u>	<u>190,980</u>
<b>Governmental activities capital assets, net of depreciation</b>	<b><u>\$ 238,739</u></b>	<b><u>\$ (9,759)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 228,980</u></b>

**VILLAGE OF BIRCH RUN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 36,392	\$ -	\$ -	\$ 36,392
Capital assets being depreciated:				
Land improvements	53,690	-	-	53,690
Buildings	115,302	6,028	-	121,330
Sewer system	3,662,345	-	-	3,662,345
Vehicles	65,180	-	-	65,180
Mains	667,687	80,275	-	747,962
Furniture and equipment	<u>259,301</u>	<u>14,281</u>	-	<u>273,582</u>
Total capital assets being depreciated	<u>4,823,505</u>	<u>100,584</u>	-	<u>4,924,089</u>
Less accumulated depreciation:				
Land improvements	(22,478)	(5,456)	-	(27,934)
Buildings	(13,133)	(2,949)	-	(16,082)
Sewer system	(1,329,449)	(71,039)	-	(1,400,488)
Vehicles	(51,304)	(3,522)	-	(54,826)
Mains	(305,696)	(14,664)	-	(320,360)
Furniture and equipment	<u>(96,425)</u>	<u>(35,222)</u>	-	<u>(131,647)</u>
Total accumulated depreciation	<u>(1,818,485)</u>	<u>(132,852)</u>	-	<u>(1,951,337)</u>
Total capital assets being depreciated, net of depreciation	<u>3,005,020</u>	<u>(32,268)</u>	-	<u>2,972,752</u>
<b>Business-type activities capital assets, net of depreciation</b>	<u>\$ 3,041,412</u>	<u>\$(32,268)</u>	<u>\$ -</u>	<u>\$3,009,144</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 25,990
Public safety	15,895
Public works	<u>4,394</u>
<b>Total depreciation expense-governmental activities</b>	<u>\$ 46,279</u>
<b>Business-type activities:</b>	
Sewer	\$ 110,922
Water	<u>21,930</u>
<b>Total depreciation expense-business-type activities</b>	<u>\$ 132,852</u>

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Component unit-DDA**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 89,043	\$ -	\$ -	\$ 89,043
Construction in progress	<u>87,502</u>	<u>72,117</u>	<u>39,924</u>	<u>119,695</u>
Total capital assets not being depreciated	<u>176,545</u>	<u>72,117</u>	<u>39,924</u>	<u>208,738</u>
Capital assets being depreciated:				
Land improvements	11,675	368,063	-	379,738
Buildings	6,740	3,014	-	9,754
Vehicles	40,892	-	-	40,892
Equipment	<u>261,276</u>	<u>1,551</u>	<u>-</u>	<u>262,827</u>
Total capital assets being depreciated	<u>320,583</u>	<u>372,628</u>	<u>-</u>	<u>693,211</u>
Less accumulated depreciation:				
Land improvements	(843)	(10,612)	-	(11,455)
Buildings	(402)	(292)	-	(694)
Vehicles	(40,892)	-	-	(40,892)
Equipment	<u>(240,615)</u>	<u>(6,018)</u>	<u>-</u>	<u>(246,633)</u>
Total accumulated depreciation	<u>(282,752)</u>	<u>(16,922)</u>	<u>-</u>	<u>(299,674)</u>
Total capital assets being depreciated, net of depreciation	<u>37,831</u>	<u>355,706</u>	<u>-</u>	<u>393,537</u>
<b>Capital assets, net of depreciation</b>	<b><u>\$ 214,376</u></b>	<b><u>\$ 427,823</u></b>	<b><u>\$ 39,924</u></b>	<b><u>\$ 602,275</u></b>

**NOTE 5 – DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	<u>\$ 3,870</u>	<u>\$ -</u>

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 6 - INTERFUND TRANSFERS**

For the year ended June 30, 2007, the Village had the following interfund transfers:

Transfer to:	Major Streets	<u>Transfer</u> <u>from:</u>		<u>Total</u>
		<u>Sewer</u>	<u>Water</u>	
General	\$ -	\$ 4,100	\$ 4,200	\$ 8,300
Local Streets	<u>23,368</u>	<u>-</u>	<u>-</u>	<u>23,368</u>
Total	<u>\$ 23,368</u>	<u>\$ 4,100</u>	<u>\$ 4,200</u>	<u>\$ 31,668</u>

The transfer from the Major Streets Fund to the Local Streets Fund is for the purpose of funding maintenance on local streets, which is not funded by intergovernmental revenues.

The transfers from the Sewer and Water Funds to the General Fund are for the purpose of reimbursing the General Fund for certain administrative expenditures incurred by the General Fund on behalf of the Sewer and Water Funds.

**NOTE 7 - LONG-TERM DEBT**

The following is a summary of long-term debt outstanding of the Village and component unit for the year ending June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Business-type activities					
Contracts payable-					
1.45% to 3.9%,					
due 9/1/11	<u>\$ 610,000</u>	<u>\$ -</u>	<u>\$ (105,000)</u>	<u>\$ 505,000</u>	<u>\$ 100,000</u>
Component Unit					
Bonds payable- Bank					
of New York, 4.4% to					
5.25%, due 6/1/23	<u>\$ 1,890,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 1,805,000</u>	<u>\$ 85,000</u>

The Downtown Development Authority (DDA) has pledged its tax increment revenues, together with any available general revenue funds of the Authority to pay the \$1,805,000 bonded debt issued to Bank of New York. In addition, the bonds are backed by the full faith and credit of the Village of Birch Run.

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

During the year ended June 30, 2003, Saginaw County refunded the Birch Run Extension #2 bond issue, which the Village is contractually obligated to reimburse. There was \$925,000 of principal remaining on the refunded sewer contract and the value had been increased to \$935,000 remaining at June 30, 2003. The DDA is reimbursing the Sewer Fund for 71.65% of the principal, interest and fees on the outstanding sewer contract. The remaining 23.85% is being paid by Birch Run Township.

Annual debt service requirements to maturity for general obligation and revenue bonds and notes are as follows:

Year Ending June 30,	<u>Business-type</u> <u>Principal</u>	<u>Activities</u> <u>Interest</u>	<u>Component</u> <u>Principal</u>	<u>Unit</u> <u>Interest</u>
2008	\$ 100,000	\$ 15,325	\$ 85,000	\$ 92,780
2009	100,000	12,525	90,000	88,785
2010	95,000	9,458	90,000	84,465
2011	100,000	6,090	95,000	80,055
2012	110,000	2,145	100,000	75,305
2013-2017	-	-	545,000	297,473
2018-2022	-	-	650,000	144,375
2023	-	-	150,000	7,875
Total	<u>\$ 505,000</u>	<u>\$ 45,543</u>	<u>\$ 1,805,000</u>	<u>\$ 871,113</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**Plan description**

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

**Funding policy**

The Village is required to contribute an amount equal to a percentage of covered payroll which is determined based on union negotiated rates and actuarially determined rates; the current rate ranges from 4.5% to 5.0% of annual covered payroll. The plan also requires a contribution from the employees of 4.1% of gross wages for police, D.P.W. and administrative staff employees.

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Annual pension cost**

For the year ended June 30, 2007, the Village's annual pension cost of \$28,632 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, and (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. Both were determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized on a closed basis over a period of 30 years, as of December 31, 2006, the date of the last actuarial valuation.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 26,419	100%	\$ -
6/30/06	\$ 25,392	100%	\$ -
6/30/07	\$ 28,632	100%	\$ -

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/04	\$ 339,323	\$ 515,900	\$ 176,577	66%	\$ 615,664	29%
12/31/05	\$ 400,584	\$ 537,998	\$ 137,414	75%	\$ 623,713	22%
12/31/06	\$ 469,411	\$ 569,167	\$ 99,756	82%	\$ 605,954	16%

**NOTE 9 - RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the Village carried commercial insurance to cover all risk of losses. The worker's compensation insurance is the only retrospectively rated policy; any premiums accrued are based on the ultimate cost of the experience to date of the Village. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three fiscal years.

**VILLAGE OF BIRCH RUN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 10 – CONTRACT AND INTERLOCAL AGREEMENT**

The Village and the DDA entered into an agreement dated May 1, 1992, whereby the DDA reimburses the Village on an annual basis for certain police and public works costs provided by the Village within the DDA boundaries. The plan may continue to capture school taxes for these items through December 31, 2007, which is the duration of the DDA plan in effect at the time of Proposal A. For the year ended June 30, 2007, the amount reimbursed by the DDA was \$200,603.

**NOTE 11 - BUILDING AND SIMILAR FEES**

Michigan Department of Treasury Local Audit Letter 2000-6 states that local units can retain compliance with P.A. 245 of 1999, Statewide Construction Code Act, by accounting for building department revenues in the General Fund only as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency and the local unit has the ability to track the full costs and revenues of this activity without creating a separate fund. The Village complies with these provisions, and therefore, the building department activity is recorded in the General Fund.

The Village collects monies for building, electrical, mechanical, plumbing, and planning and zoning permits and fees. The amount received for these permits for the year ended June 30, 2007 was \$47,514. The expenditures incurred related to code enforcement for the year ended June 30, 2007 were \$78,795.

**NOTE 12 – CONTINGENCIES**

The Village is engaged in routine litigation incidental to the conduct of its affairs. In the opinion of legal counsel and Village management, no legal proceedings are pending against the Village which are not covered by insurance or which would inhibit the Village's ability to perform its operations or materially affect its financial condition.

**NOTE 13 – PENDING LITIGATION**

A former employee filed suit against the Village alleging wrongful discharge. The case was originally filed in the Circuit Court, but has been dismissed by way of motion as there is a binding arbitration agreement. Presently, the parties are attempting to schedule to matter for arbitration. Management and counsel believe the allegation is without merit and are conducting a vigorous defense. The ultimate outcome is unknown at this time, and no provision for any loss has been recorded in the financial statements.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**VILLAGE OF BIRCH RUN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>			<b>Variance Over/(Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 173,432	\$ 175,936	\$ 177,617	\$ 1,681
Licenses and permits	67,724	71,867	75,898	4,031
Fines and forfeitures	54,394	82,283	83,245	962
Intergovernmental revenue	120,877	116,269	113,909	(2,360)
Other revenues	345,333	360,463	374,679	14,216
<b>Total revenues</b>	<b>761,760</b>	<b>806,818</b>	<b>825,348</b>	<b>18,530</b>
<b>Expenditures</b>				
Governing body	2,636	2,216	2,154	62
Village Clerk/Treasurer	43,007	41,592	42,391	(799)
Public safety	454,853	491,739	490,871	868
Zoning department	14,754	12,791	9,881	2,910
Building department/inspector	79,793	77,797	78,795	(998)
Planning commission	4,320	1,690	1,710	(20)
Zoning board of appeals	520	-	-	-
Department of public works	83,214	95,172	93,883	1,289
Sidewalk construction	1,500	1,689	1,689	-
Storm sewer repair/construction	-	4,651	4,672	(21)
Street lighting	23,050	23,050	20,598	2,452
Refuse expenditures	43,729	37,931	34,280	3,651
Board of review	-	168	168	-
<b>Total expenditures</b>	<b>751,376</b>	<b>790,486</b>	<b>781,092</b>	<b>9,394</b>
<b>Revenues over/(under) expenditures</b>	<b>10,384</b>	<b>16,332</b>	<b>44,256</b>	<b>27,924</b>
<b>Other financing sources (uses)</b>				
Operating transfers in/(out)	8,300	8,300	8,300	-
<b>Net change in fund balances</b>	<b>18,684</b>	<b>24,632</b>	<b>52,556</b>	<b>27,924</b>
Fund balance-beginning of year	538,841	538,841	538,841	-
<b>Fund balance-end of year</b>	<b>\$ 557,525</b>	<b>\$ 563,473</b>	<b>\$ 591,397</b>	<b>\$ 27,924</b>

**VILLAGE OF BIRCH RUN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE-MAJOR STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Over/(Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
State revenue	\$ 99,167	\$ 93,471	\$ 98,818	\$ 5,347
Reimbursements	16,200	19,658	14,246	(5,412)
Interest	<u>6,619</u>	<u>12,804</u>	<u>12,793</u>	<u>(11)</u>
<b>Total revenues</b>	121,986	125,933	125,857	(76)
<b>Expenditures</b>				
Highways and streets	<u>119,599</u>	<u>127,892</u>	<u>121,808</u>	<u>6,084</u>
<b>Revenues over/(under) expenditures</b>	2,387	(1,959)	4,049	6,008
<b>Other financing sources/(uses)</b>				
Transfers/(out)	<u>(24,792)</u>	<u>(23,368)</u>	<u>(23,368)</u>	<u>-</u>
<b>Net change in fund balances</b>	(22,405)	(25,327)	(19,319)	6,008
Fund Balance - beginning of year	<u>274,770</u>	<u>274,770</u>	<u>274,770</u>	<u>-</u>
<b>Fund Balance - end of year</b>	<u>\$ 252,365</u>	<u>\$ 249,443</u>	<u>\$ 255,451</u>	<u>\$ 6,008</u>

**VILLAGE OF BIRCH RUN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE-LOCAL STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Over/(Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
State revenue	\$ 25,994	\$ 24,498	\$ 24,477	\$ (21)
Reimbursements	5,601	6,243	6,243	-
Interest	4,572	6,236	6,185	(51)
<b>Total revenues</b>	<b>36,167</b>	<b>36,977</b>	<b>36,905</b>	<b>(72)</b>
<b>Expenditures</b>				
Highways and streets	61,457	70,672	67,854	2,818
<b>Revenues over/(under) expenditures</b>	<b>(25,290)</b>	<b>(33,695)</b>	<b>(30,949)</b>	<b>2,746</b>
<b>Other financing sources/(uses)</b>				
Transfers/(out)	24,792	23,368	23,368	-
<b>Net change in fund balances</b>	<b>(498)</b>	<b>(10,327)</b>	<b>(7,581)</b>	<b>2,746</b>
Fund Balance - beginning of year	148,252	148,252	148,252	-
<b>Fund Balance - end of year</b>	<b>\$ 147,754</b>	<b>\$ 137,925</b>	<b>\$ 140,671</b>	<b>\$ 2,746</b>

## **INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

**VILLAGE OF BIRCH RUN  
OTHER SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE DETAIL-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>			<b>Variance Over/(Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
<b>Taxes</b>				
Current real property taxes	\$ 126,017	\$ 126,024	\$ 126,027	\$ 3
Current personal property taxes	43,627	44,040	45,738	1,698
Mobile home taxes	750	750	710	(40)
Property tax administration fee	3,038	5,122	5,142	20
<b>Total taxes</b>	<u>173,432</u>	<u>175,936</u>	<u>177,617</u>	<u>1,681</u>
<b>Licenses and permits</b>				
Contractor registration fee	390	465	465	-
Business licenses	6,450	7,970	8,170	200
Residential permits	9,833	3,424	5,258	1,834
Commercial permits	36,523	40,633	42,256	1,623
Rental housing license fees	2,793	3,300	3,300	-
Planning commission fees	1,440	720	720	-
Zoning board of appeals fees	495	-	-	-
Miscellaneous revenues-zoning	105	145	145	-
Zoning permit fees	9,200	15,210	15,584	374
Sign board of appeals fees	495	-	-	-
<b>Total licenses and permits</b>	<u>67,724</u>	<u>71,867</u>	<u>75,898</u>	<u>4,031</u>
<b>Fines and forfeitures</b>				
State grant-police training	953	9,876	9,876	-
Charges for police services	27,720	27,720	27,212	(508)
Traffic grant reimb.-Saginaw	4,000	3,906	4,500	594
Ordinance fines and traffic violations	12,421	18,298	18,448	150
Forfeitures	-	7,196	7,196	-
Police reports	800	534	545	11
Alarm permits/violations	5,000	5,225	5,275	50
Salvage inspections	-	2,000	2,200	200
Police service revenues	3,500	7,528	7,993	465
<b>Total fines and forfeitures</b>	<u>54,394</u>	<u>82,283</u>	<u>83,245</u>	<u>962</u>
<b>Intergovernmental revenue</b>				
State constitutional sales tax	118,165	113,498	111,138	(2,360)
State liquor license	2,712	2,771	2,771	-
<b>Total intergovernmental revenue</b>	<u>120,877</u>	<u>116,269</u>	<u>113,909</u>	<u>(2,360)</u>
<b>Other revenues</b>				
Refuse revenue	47,457	44,290	47,610	3,320
Equipment rental	83,368	82,885	88,271	5,386
Reimbursements	200,500	200,500	200,600	100
Interest	14,008	29,977	29,799	(178)
Miscellaneous	-	2,811	8,399	5,588
<b>Total other revenues</b>	<u>345,333</u>	<u>360,463</u>	<u>374,679</u>	<u>14,216</u>
<b>Total revenues</b>	<b>761,760</b>	<b>806,818</b>	<b>825,348</b>	<b>18,530</b>
<b>EXPENDITURES</b>				
<b>Governing body</b>				
Salaries	1,428	1,103	957	146
Workers' compensation	8	9	8	1
Dues, memberships and subscriptions	150	150	150	-
Community promotions	1,050	954	1,039	(85)
<b>Total governing body</b>	<u>2,636</u>	<u>2,216</u>	<u>2,154</u>	<u>62</u>

**VILLAGE OF BIRCH RUN  
OTHER SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE DETAIL-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Over/(Under) Final Budget</b>
<b>Village Clerk/Treasurer</b>				
Salaries	21,942	21,942	21,624	318
Fringe benefits	1,942	1,942	1,515	427
Workers' compensation	84	84	77	7
Employer taxes	1,679	1,679	1,673	6
Office supplies	500	455	388	67
Postage	200	70	60	10
Dues, memberships and subscriptions	225	156	156	-
Contractual/professional services	4,357	4,096	4,138	(42)
Legal fees	960	290	290	-
Insurance	5,084	4,816	4,816	-
Health insurance reimbursement	-	29	29	-
Repairs and maintenance	186	44	40	4
Telephone	360	360	337	23
Travel and training	48	76	-	76
Mileage	295	158	162	(4)
Printing and publishing	150	78	78	-
Utilities	3,344	3,846	3,511	335
Bad debts	-	-	2,026	(2,026)
Miscellaneous	175	90	90	-
Furniture, fixtures and equipment	1,476	1,381	1,381	-
<b>Total village clerk/treasurer</b>	<b>43,007</b>	<b>41,592</b>	<b>42,391</b>	<b>(799)</b>
<b>Public safety</b>				
Salaries	279,152	294,582	298,925	(4,343)
Fringe benefits	40,756	45,277	44,852	425
Workers' compensation	5,554	6,098	5,590	508
Employer taxes	21,289	21,807	22,506	(699)
Office supplies	1,000	1,256	1,073	183
Postage	350	253	212	41
Reimbursable expenses	-	874	874	-
Dues, memberships and subscriptions	280	176	176	-
Contractual/professional services	9,803	9,803	8,416	1,387
Legal fees	8,040	16,264	16,516	(252)
Insurance	13,089	12,399	12,399	-
Health insurance reimbursement	-	1,606	1,606	-
Uniforms and accessories	2,000	361	1,143	(782)
Uniform cleaning	800	933	874	59
Repairs and maintenance	438	170	143	27
Telephone	2,000	1,836	1,726	110
Travel and training	4,656	3,600	2,149	1,451
Mileage	801	323	296	27
Forfeiture expenses	-	7,246	7,246	-
Salvage inspections	-	1,302	1,342	(40)
Printing and publishing	200	325	213	112
Reimbursable expenses	-	797	717	80
Utilities	3,337	3,842	3,508	334
Police services	250	273	250	23
Furniture, fixtures and equipment	2,538	5,905	5,905	-
Vehicle expenses	8,520	8,520	7,518	1,002
Vehicle replacement	32,000	31,886	31,886	-
Fuel expenses	18,000	14,025	12,810	1,215
<b>Total public safety</b>	<b>454,853</b>	<b>491,739</b>	<b>490,871</b>	<b>868</b>

**VILLAGE OF BIRCH RUN  
OTHER SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE DETAIL-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>			<b>Variance Over/(Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Zoning department</b>				
Salaries	6,345	6,345	5,100	1,245
Fringe benefits	2,749	2,749	2,619	130
Workers' compensation	80	93	85	8
Employer taxes	485	485	432	53
Office supplies	200	73	64	9
Postage	150	223	216	7
Dues, memberships and subscriptions	100	8	8	-
Contractual/professional services	1,671	547	576	(29)
Legal fees	192	-	-	-
Insurance	1,258	1,191	1,191	-
Health insurance reimbursement	-	160	160	-
Repairs and maintenance	38	-	-	-
Telephone	100	61	61	-
Travel and training	100	-	40	(40)
Mileage	50	10	9	1
Printing and publishing	720	422	371	51
Reimbursable expenses	-	-	(1,475)	1,475
Furniture, fixtures and equipment	416	399	399	-
Resource material	100	-	-	-
Bad debts	-	25	25	-
<b>Total zoning department</b>	<b>14,754</b>	<b>12,791</b>	<b>9,881</b>	<b>2,910</b>
<b>Building department/Inspector</b>				
Salaries	37,531	38,564	39,002	(438)
Fringe benefits	16,877	21,408	21,152	256
Workers' compensation	371	410	376	34
Employer taxes	2,871	2,717	2,768	(51)
Office supplies	200	559	581	(22)
Postage	200	26	23	3
Dues, memberships and subscriptions	100	165	165	-
Contractual/professional services	14,530	8,077	8,890	(813)
Legal fees	768	-	-	-
Insurance	1,798	1,191	1,191	-
Health insurance reimbursement	-	1,243	1,243	-
Repairs and maintenance	150	109	100	9
Telephone	1,000	566	544	22
Travel and training	350	548	548	-
Mileage	477	495	496	(1)
Printing and publishing	432	61	56	5
Reimbursable expenses	-	-	2	(2)
Miscellaneous expenses	50	50	50	-
Furniture, fixtures and equipment	1,638	1,608	1,608	-
Resource material	450	-	-	-
<b>Total building department/Inspector</b>	<b>79,793</b>	<b>77,797</b>	<b>78,795</b>	<b>(998)</b>
<b>Planning commission</b>				
Salaries	4,320	1,690	1,710	(20)
<b>Total planning commission</b>	<b>4,320</b>	<b>1,690</b>	<b>1,710</b>	<b>(20)</b>
<b>Zoning board of appeals</b>				
Salaries	520	-	-	-
<b>Total zoning board of appeals</b>	<b>520</b>	<b>-</b>	<b>-</b>	<b>-</b>

**VILLAGE OF BIRCH RUN  
OTHER SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE DETAIL-GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Over/(Under) Final Budget</b>
<b>Department of public works</b>				
Salaries	32,071	45,408	45,487	(79)
Fringe benefits	1,950	2,240	2,252	(12)
Workers' compensation	972	781	716	65
Employer taxes	2,453	3,424	3,477	(53)
Office supplies	450	707	595	112
Postage	50	64	56	8
Building maintenance	3,000	2,239	2,089	150
Supplies and materials	3,611	2,698	2,918	(220)
Contractual/professional services	2,843	3,897	4,114	(217)
Legal fees	-	1,987	1,987	-
Insurance	6,238	5,909	5,909	-
Repairs and maintenance	2,688	2,463	2,306	157
Telephone	600	612	597	15
Travel and training	100	-	-	-
Printing and publishing	50	-	-	-
Reimbursable expenses	828	949	412	537
Utilities	3,413	5,143	4,638	505
Miscellaneous expenses	150	85	85	-
Furniture, fixtures and equipment	1,502	1,405	1,405	-
Vehicle expenses	4,645	5,278	4,410	868
Fuel expense	15,600	9,883	10,430	(547)
<b>Total department of public works</b>	<b>83,214</b>	<b>95,172</b>	<b>93,883</b>	<b>1,289</b>
<b>Sidewalk construction</b>				
Sidewalk construction	1,500	1,689	1,689	-
<b>Total sidewalk construction</b>	<b>1,500</b>	<b>1,689</b>	<b>1,689</b>	<b>-</b>
<b>Storm sewer repair/construction</b>				
Storm sewer repair/construction	-	4,651	4,672	(21)
<b>Total storm sewer repair/construction</b>	<b>-</b>	<b>4,651</b>	<b>4,672</b>	<b>(21)</b>
<b>Street lighting</b>				
Street lights	23,050	23,050	20,598	2,452
<b>Total street lighting</b>	<b>23,050</b>	<b>23,050</b>	<b>20,598</b>	<b>2,452</b>
<b>Refuse expenditures</b>				
Refuse expenses	43,729	37,931	34,280	3,651
<b>Total refuse expenditures</b>	<b>43,729</b>	<b>37,931</b>	<b>34,280</b>	<b>3,651</b>
<b>Board of review</b>				
Board of review refunds	-	168	168	-
<b>Total board of review expenses</b>	<b>-</b>	<b>168</b>	<b>168</b>	<b>-</b>
<b>Total expenditures</b>	<b>751,376</b>	<b>790,486</b>	<b>781,092</b>	<b>9,394</b>
<b>Revenues over/(under) expenditures</b>	<b>10,384</b>	<b>16,332</b>	<b>44,256</b>	<b>27,924</b>
<b>Other financing sources/(uses)</b>				
<b>Operating transfers In/(out)</b>				
Transfer in-sewer	4,100	4,100	4,100	-
Transfer in-water	4,200	4,200	4,200	-
<b>Total operating transfers</b>	<b>8,300</b>	<b>8,300</b>	<b>8,300</b>	<b>-</b>
<b>Total other financing sources/(uses)</b>	<b>8,300</b>	<b>8,300</b>	<b>8,300</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>16,684</b>	<b>24,632</b>	<b>52,556</b>	<b>27,924</b>
<b>Fund balance-beginning of year</b>	<b>538,841</b>	<b>538,841</b>	<b>538,841</b>	<b>-</b>
<b>Fund balance-end of year</b>	<b>\$ 557,525</b>	<b>\$ 563,473</b>	<b>\$ 591,397</b>	<b>\$ 27,924</b>

**VILLAGE OF BIRCH RUN  
OTHER SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE DETAIL-MAJOR STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance Over/(Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Act 51 funds	\$ 99,167	\$ 93,471	\$ 93,406	\$ (65)
Metro act revenue	-	5,412	5,412	-
Reimbursements	16,200	14,246	14,246	
Interest	6,619	12,804	12,793	(11)
<b>Total revenues</b>	121,986	125,933	125,857	(76)
<b>Expenditures</b>				
<b>Routine Maintenance</b>				
Salaries	21,597	25,070	25,561	(491)
Fringe benefits	1,310	1,468	1,439	29
Workers' compensation	1,079	1,223	1,121	102
Employer taxes	1,652	1,915	1,952	(37)
Office supplies	100	-	-	-
Street sign expenses	400	303	381	(78)
Maintenance expenses	54,720	54,720	50,054	4,666
Employee reimbursement	228	194	194	-
Maintenance and equipment rental	9,880	22,992	22,759	233
<b>Total routine maintenance</b>	90,966	107,885	103,461	4,424
<b>Snow and ice control</b>				
Salaries	7,184	3,801	3,801	-
Fringe benefits	408	269	257	12
Workers' compensation	270	349	282	67
Employer taxes	550	302	290	12
Snow and ice control expenses	5,015	2,175	2,175	-
Equipment rental	7,696	5,535	5,535	-
<b>Total snow and ice control</b>	21,123	12,431	12,340	91
<b>Administration and other</b>				
Traffic services	-	223	204	19
Contractual/professional services	6,150	6,150	4,600	1,550
Legal fees	1,280	1,128	1,128	-
Insurance	80	75	75	-
<b>Total administration and other</b>	7,510	7,576	6,007	1,569
<b>Total expenditures</b>	119,599	127,892	121,808	6,084
<b>Revenues over/(under) expenditures</b>	2,387	(1,959)	4,049	6,008
<b>Other financing sources/(uses)</b>				
Transfers out	(24,792)	(23,368)	(23,368)	-
<b>Net change in fund balances</b>	(22,405)	(25,327)	(19,319)	6,008
Fund balance-beginning of year	274,770	274,770	274,770	-
<b>Fund balance-end of year</b>	<u>\$ 252,365</u>	<u>\$ 249,443</u>	<u>\$ 255,451</u>	<u>\$ 6,008</u>

**VILLAGE OF BIRCH RUN  
OTHER SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE DETAIL-LOCAL STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance Over/(Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Act 51 funds	\$ 25,994	\$ 24,498	\$ 24,477	\$ (21)
Reimbursements	5,601	6,243	6,243	-
Interest	4,572	6,236	6,185	(51)
<b>Total revenues</b>	<b>36,167</b>	<b>36,977</b>	<b>36,905</b>	<b>(72)</b>
<b>Expenditures</b>				
<b>Routine maintenance</b>				
Salaries	18,106	23,638	23,769	(131)
Fringe benefits	1,097	1,394	1,367	27
Workers' compensation	899	979	897	82
Employer taxes	1,385	1,804	1,814	(10)
Office supplies	100	-	-	-
Maintenance expenses	13,518	13,518	11,041	2,477
Employee reimbursement	228	194	194	-
Equipment usage maintenance	8,453	15,374	15,216	158
<b>Total routine maintenance</b>	<b>43,786</b>	<b>56,901</b>	<b>54,298</b>	<b>2,603</b>
<b>Snow and ice control</b>				
Salaries	5,438	3,529	3,529	-
Fringe benefits	301	252	248	4
Workers' compensation	180	253	208	45
Employer taxes	416	270	270	-
Snow and ice control expenses	3,485	1,512	1,512	-
Equipment rental	4,871	4,764	4,764	-
<b>Total snow and ice control</b>	<b>14,691</b>	<b>10,580</b>	<b>10,531</b>	<b>49</b>
<b>Administration and other</b>				
Contractual/professional services	1,620	1,988	1,822	166
Legal fees	1,280	1,128	1,128	-
Insurance	80	75	75	-
<b>Total administration and other</b>	<b>2,980</b>	<b>3,191</b>	<b>3,025</b>	<b>166</b>
<b>Total expenditures</b>	<b>61,457</b>	<b>70,672</b>	<b>67,854</b>	<b>2,818</b>
<b>Revenues over/(under) expenditures</b>	<b>(25,290)</b>	<b>(33,695)</b>	<b>(30,949)</b>	<b>2,746</b>
<b>Other financing sources/(uses)</b>				
Transfer in	24,792	23,368	23,368	-
<b>Net change in fund balances</b>	<b>(498)</b>	<b>(10,327)</b>	<b>(7,581)</b>	<b>2,746</b>
Fund balance-beginning of year	148,252	148,252	148,252	-
<b>Fund balance-end of year</b>	<b>\$ 147,754</b>	<b>\$ 137,925</b>	<b>\$ 140,671</b>	<b>\$ 2,746</b>

**COMPONENT UNIT**

**VILLAGE OF BIRCH RUN  
COMPONENT UNIT  
DOWNTOWN DEVELOPMENT AUTHORITY  
BALANCE SHEET/STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	<b>DOWNTOWN DEVELOPMENT AUTHORITY</b>	<b>ADJUSTMENTS</b>	<b>STATEMENT OF NET ASSETS</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 864,156	\$ -	\$ 864,156
Investments	-	-	-
Interest receivable	-	-	-
Construction in progress	-	119,695	119,695
Nondepreciable capital assets	-	89,043	89,043
Depreciable capital assets, net	-	393,537	393,537
	<u>864,156</u>	<u>602,275</u>	<u>1,466,431</u>
<b>Total assets</b>	<b>\$ 864,156</b>	<b>602,275</b>	<b>1,466,431</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 41,313	-	41,313
Accrued expenses	2,977	-	2,977
Accrued interest	-	7,734	7,734
Long-term debt:			
Due within one year	-	85,000	85,000
Due in more than one year	-	1,720,000	1,720,000
	<u>44,290</u>	<u>1,812,734</u>	<u>1,857,024</u>
<b>Total liabilities</b>	<b>44,290</b>	<b>1,812,734</b>	<b>1,857,024</b>
<b>Fund balances</b>			
Unreserved	<u>819,866</u>	<u>(819,866)</u>	<u>-</u>
<b>Total fund balances</b>	<u>819,866</u>	<u>(819,866)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<b>\$ 864,156</b>		
<b>Net assets</b>			
Invested in capital assets, net of related debt		(1,210,459)	(1,210,459)
Unrestricted		<u>819,866</u>	<u>819,866</u>
<b>Total net assets (deficit)</b>		<b>\$ (390,593)</b>	<b>\$ (390,593)</b>

**VILLAGE OF BIRCH RUN  
COMPONENT UNIT  
DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
<b>Revenues</b>			
Taxes	\$ 738,608	\$ -	\$ 738,608
Interest	49,277	-	49,277
Miscellaneous	566	-	566
<b>Total revenues</b>	788,451	-	788,451
<b>Expenditures/Expenses</b>			
Salaries and wages	65,439	-	65,439
Payroll taxes and fringe benefits	16,453	-	16,453
Office supplies	1,084	-	1,084
Dues, memberships and subscriptions	1,850	-	1,850
Professional services	36,168	-	36,168
Insurance	2,916	-	2,916
Travel and training	929	-	929
Printing and publishing	956	-	956
Utilities	3,554	-	3,554
Holiday decorations expense	4,244	-	4,244
Maintenance expense	71,864	-	71,864
Hydrant rental	2,025	-	2,025
Miscellaneous	3,061	-	3,061
Construction projects	400,255	(400,255)	-
Furniture, fixtures and equipment	6,119	(4,564)	1,555
Fees	300	-	300
Reimbursements	310,128	-	310,128
Depreciation	-	16,922	16,922
Debt service:			
Principal	85,000	(85,000)	-
Interest expense	96,690	(326)	96,364
<b>Total expenditures/expenses</b>	1,109,035	(473,223)	635,812
<b>Net change in fund balance/net assets</b>	(320,584)	473,223	152,639
Fund balance/net assets (deficit), beginning of year	1,140,450	(1,683,682)	(543,232)
<b>Fund balance/net assets (deficit), end of year</b>	\$ 819,866	\$ (1,210,459)	\$ (390,593)

## **INTERNAL CONTROL AND COMPLIANCE**



Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

November 6, 2007

Village Council  
Village of Birch Run  
Birch Run, Michigan

We have audited the financial statements of the governmental activities the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Village of Birch Run as of and for the year ended June 30, 2007, which collectively comprise The Village of Birch Run's basic financial statements and have issued our report dated November 6, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Village of Birch Run's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Village of Birch Run's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Village of Birch Run's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects The Village of Birch Run's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of The Village of Birch Run's financial statements that is more than inconsequential will not be prevented or detected by the Village of Birch Run's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by The Village of Birch Run's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance

As part of obtaining reasonable assurance about whether The Village of Birch Run's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted other matters that we reported to the management of The Village of Birch Run in a separate letter dated November 19, 2007.

This report is intended for the information and use of the management and of the members of the board of The Village of Birch Run and not intended to be and should not be used by anyone other than these specified parties .

*Taylor & Morgan, P.C.*

TAYLOR & MORGAN, P.C.  
Certified Public Accountants



---

Certified Public Accountants

November 20, 2007

To the Village Council of  
Village of Birch Run

We have audited the basic financial statements of Village of Birch Run (the "Village") for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our responsibility under Generally Accepted Audited Standards**

As stated in our engagement letter dated June 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we made a study and evaluation of the plan's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and accordingly do not express such an opinion.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered The Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and do not provide assurance on the internal control over financial reporting.

Our consideration of the internal control over the financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Village's financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on a certain situation. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention of as the Village's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Village Council of the Village of Birch Run and its management and should not be used for any other purpose.



Taylor & Morgan, P.C., CPA's  
Flint, MI